

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS**

**EAST BAY MENTAL HEALTH CENTER, INC.
REPORT ON CONTRACT COMPLIANCE**

FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
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East Bay Mental Health Center, Inc.
REPORT ON CONTRACT COMPLIANCE
Fiscal Years Ended June 30, 1999 and 1998

EXECUTIVE SUMMARY

The prior audit report for East Bay Mental Health Center, Inc., issued January 7, 1999 by the Bureau of Audits, had three findings and all were complied with.

Based on our contract compliance engagement for the fiscal years ended June 30, 1999 and 1998 we determined the following:

1. The MHRH funded Community Support and Related Services Program had excess revenues in the amounts of \$205,045 and \$450,409 for the fiscal years ended June 30, 1999 and 1998, respectively.
2. The Center had excessive budget line item variances during the period reviewed.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EASY BAY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

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January 9, 2001

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and East Bay Mental Health Center, Inc., for the fiscal years ended June 30, 1999 and 1998.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the director of the department audited to respond in writing within sixty days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee; and to the Honorable Frank T. Caprio, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of East Bay Mental Health Center, Inc., for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EAST BAY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable income used as the basis for funding fiscal years 2001 and 2000;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EAST BAY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health boards to provide mentally disabled children and adult services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that East Bay Mental Health Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's administrative offices are located at 52 Amaral Street, East Providence, Rhode Island.

The Center owns the following properties which are being used in the Center's housing program:

347 Main Street, Warren, Rhode Island

680 Hope Street, Bristol, Rhode Island

The Center is governed by a board of directors consisting of 18 elected members.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and East Bay Mental Health Center, Inc., (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 1999 and 1998, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.


For purposes of this engagement we tested compliance with the above mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of excess revenues over expenses in the Community Support, Residential and Acute Alternatives Services Contract with the Center for the fiscal years 1999 and 1998; and instances of noncompliance with a provision of MHRH's Community Support, Residential and Acute Alternatives Services contracts for the fiscal years 1999 and 1998. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Ms. A. Kathryn Power, Director
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This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
March 31, 2000

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EAST BAY MENTAL HEALTH CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1999

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 401,018	152,541	-	-	553,559
DCYF	-	-	294,923	-	294,923
Other Program Revenue	212,309	79,771	43,799	-	335,879
Title XIX Medicaid	-	-	-	3,757,918	3,757,918
Municipalities	-	145,145	136,405	-	281,550
Martin Fund	-	9,800	4,200	-	14,000
Contributions	1,080	14,690	6,296	-	22,066
Fund Raising	-	-	8,955	-	8,955
Third Party Reimbursements	73,309	192,429	65,838	-	331,576
Patient Fees	86,423	56,326	15,578	-	158,327
Consultation & Alcohol Fees	(612)	21,300	6,612	-	27,300
Rental Income	28,841	-	-	-	28,841
Miscellaneous	23,806	4,396	5,733	-	33,935
Interest Income	25,459	12,729	12,729	-	50,917
Total Revenues	\$ 851,633	689,127	601,068	3,757,918	5,899,746
<u>Expenses</u>					
Personnel	2,518,266	616,717	903,300	-	4,038,283
Operating	946,119	108,930	279,788	-	1,334,837
Purchased Equipment	79,997	12,947	25,347	-	118,291
Total Expenses	\$ 3,544,382	738,594	1,208,435	-	5,491,411
<u>Other Financing Sources (Uses)</u>					
Interfund Transfer-Title XIX Medicaid	2,897,794	50,805	809,319	(3,757,948)	-
Excess (Deficiency) of Revenues Over Expenses	\$ 205,045	1,338	201,952	-	408,335

See accompanying notes to financial information.

:SP-15a

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EAST BAY MENTAL HEALTH CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1998

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 638,126	214,149	-	-	852,275
DHS-Vocational Rehab.	12,080	-	-	-	12,080
DCYF	-	-	334,315	-	334,315
Other Program Revenue	236,273	51,738	42,807	-	330,818
Title XIX Medicaid	-	-	-	3,461,963	3,461,963
Municipalities	-	167,288	95,868	-	263,156
Martin Fund	-	10,125	3,375	-	13,500
Fund Raising	-	13,474	-	-	13,474
Contributions	1,715	9,721	5,145	-	16,581
Third Party Reimbursements	54,624	173,308	83,374	-	311,306
Patient Fees	88,459	46,481	15,364	-	150,304
Consultation & Alcohol Fees	130	19,498	7,408	-	27,036
Interest Income	10,812	6,861	6,522	-	24,195
Rental Income	32,822	-	-	-	32,822
Miscellaneous Income	32,083	2,931	7,556	-	42,570
Total Revenues	\$ 1,107,124	715,574	601,734	3,461,963	5,886,395
<u>Expenses</u>					
Personnel	2,487,242	583,070	936,980	-	4,007,292
Operating	826,738	100,089	317,908	-	1,244,735
Purchased Equipment	85,958	13,658	25,888	-	125,504
Total Expenses	\$ 3,399,938	696,817	1,280,776	-	5,377,531
<u>Other Financing Sources (Uses)</u>					
Interfund Transfer-Title XIX-Medicaid	2,743,223	57,027	661,713	(3,461,963)	-
Excess (Deficiency) of Revenues Over Expenses	\$ 450,409	75,784	(17,329)	-	508,864

See accompanying notes to financial information.

:SP-15b

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EAST BAY MENTAL HEALTH CENTER, INC.
STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	<u>Fiscal Year Ended June 30</u>	
	<u>1999</u>	<u>1998</u>
<u>Beginning Balance</u>	\$ 0	0
Revenues Received Designated for Programs	<u>3,757,918</u>	<u>3,461,963</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	2,897,794	2,743,223
Adult General Outpatient Services	50,805	57,027
Other Programs	<u>809,319</u>	<u>661,713</u>
Total Applied	<u>3,757,918</u>	<u>3,461,963</u>
<u>Ending Balance</u>	\$ <u>0</u>	<u>0</u>

See accompanying notes to financial information.

:SP-15c

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EAST BAY MENTAL HEALTH CENTER, INC.
STATE MATCHING PROGRAM
DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30			
	1999		1998	
<u>State Funds Allocated:</u>				
Adult General Outpatient Services	\$ 177,473		236,948	
Community Support, Residential and Acute Alternatives Contract	<u>177,473</u>	<u>354,946</u>	<u>236,948</u>	<u>473,896</u>
Matchable Revenues - Fiscal Years Ended June 30, 1997 and 1996		<u>314,099</u>		<u>326,229</u>
<u>Determination of Over (Under) Payment of State Funds:</u>				
State Funds Allocated (Note 2)		354,946		473,896
Deduct lesser of:				
(a) Applicable Percentage of Matchable Revenues	354,946		473,896	
(b) State Funds Allocated	354,946		473,896	
Maximum Support - Lesser of A or B (Note 3)		<u>354,946</u>		<u>473,896</u>
Over (Under) Payment of State Matching Funds		\$ <u>0</u>		<u>0</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EAST BAY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Care Services's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of East Bay Mental Health Center, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lesser of the following:

1. 113.005% of the matchable revenue for fiscal year ended June 30, 1997 and 145.265% of the matchable revenue for fiscal year ended June 30, 1996.
2. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 - Other State Programs

These accounts represent funding from sources other than MHRH Division of Behavioral Health Care Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EAST BAY MENTAL HEALTH CENTER, INC.
STATE MATCHING PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30	
	1999	1998
<u>State of Rhode Island</u>		
Adult General Outpatient Services	\$ 152,541	214,149
Community Support, Residential & Acute Alternatives	<u>86,919</u>	<u>164,230</u>
Total State Funds Allocated	239,460	378,379
<u>Matchable Revenues</u>		
Municipalities	281,550	263,156
Fund Raising-Net	8,955	8,146
Contributions-Net	<u>36,066</u>	<u>30,081</u>
Total Matchable Revenues (For Fiscal Year Ended June 30, 2001 and 2000)	326,571	301,383
<u>Nonmatchable Revenues</u>		
Community Support, Residential, and Acute Alternatives	314,099	473,896
Title XIX Program	3,757,918	3,461,963
Other Programs	445,212	509,426
Patient Fees	142,749	134,940
Third Party Reimbursements	265,738	227,932
Consultation & Alcohol Fees	20,688	19,628
Other Program Revenue	292,080	288,011
Fund Raising Expense	-	5,328
Interest	38,188	17,673
Rental Income	28,841	32,822
Miscellaneous	<u>28,202</u>	<u>35,014</u>
Total NonMatchable Revenues	<u>5,333,715</u>	<u>5,206,633</u>
Total Revenues (Exhibit A & B, Respectively)	\$ <u>5,899,746</u>	<u>5,886,395</u>

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EAST BAY MENTAL HEALTH CENTER, NC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

STATUS OF PRIOR AUDIT RECOMMENDATIONS JUNE 30, 1997

Community Support, Residential, and Acute alternatives

1. If performance standards have, in fact, been deemed satisfactory by the Department for the period under review, officials of MHRH should take into account the excess revenue of \$55,298 as available income for community support services when determining subsequent funding to East Bay Mental Health Center, Inc.

Complied.

General Adult Outpatient Program-State Matching Funds

2. MHRH officials should adjust their records accordingly and not match fund-raising expenses of \$3,028 in fiscal year 1999, in accordance with Departmental Regulations.

Complied.

Independent Audit Reports

3. MHRH officials should ensure that all future independent audit reports will, in fact, verify matchable funds and only accept those reports that comply.

Complied.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
EAST BAY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

CURRENT YEARS FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 1999 and 1998 are summarized below:

Revenues Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>1999</u>	<u>1998</u>
Community Support, Residential and Acute Alternatives	\$ 205,045	\$ 450,409
Adult General Outpatient Services	1,338	75,784
Other Programs	<u>201,952</u>	<u>(17,329)</u>
Total Revenue	\$ <u>408,335</u>	\$ <u>508,864</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program has excess revenues in the amounts of \$205,045 and \$450,409 for the fiscal years ended June 30, 1999 and 1998, respectively. The Department of Mental Health, Retardation and Hospitals determines the use of disposition of excess revenues.

Excessive budget line item variances occurred in the Community Support, Residential, and Acute Alternatives contracts for the fiscal years ended June 30, 1999 and 1998. Addendum II, Sections II-4 and 5 of the financial terms and conditions states in part:

"Any amendments to the approved budget detail on the DEPARTMENT, except as specifically exempted below, requires the prior written approval of the DEPARTMENT."

"A line item deviation of 10% or \$5,000, whichever is greater, is allowed without Amendment..."

"Spending beyond the budget without amendment will result in the disallowance of the added expenditure."

Those line items in excess of 10% or \$5,000, whichever is greater are as follows:

1999 - Staff Training & Development	\$ 1,138
1998 - Property Taxes	\$ 4,120

The Center did not submit line item budget amendment requests to MHRH as required by the above State contract provisions.

Recommendation

1. MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions and recover the added expenditures in accordance with contractual provisions as stated above.

Adult General Outpatient Program - State Matching Funds

There was no over funding of the Matching Program during the period examined.

Matchable revenues were examined for fiscal years ended June 30, 1999 and 1998 and are summarized as follows:

	<u>1999</u>	<u>1998</u>
Municipalities	\$ 281,550	263,156
Fund-Raising (Net)	8,955	8,146
Donations	<u>36,066</u>	<u>30,081</u>
Total Matchable Revenues	\$ <u>326,571</u>	<u>301,383</u>

Funds received in fiscal year ended June 30, 1999 and 1998 will be the basis for determining state funds allocated by the Department of Mental Health, Retardation and Hospitals for the subsequent fiscal years ending June 30, 2001 and June 30, 2000, respectively.

Affiliated Corporation

East Bay Realty Corporation was formed August 30, 1996 and is a nonprofit realty holding company which provides services adjunctive to the Center's programs. The same board members serve both the affiliate and the Center. The Corporation owns the following property:

Adams Farley Building
610 Wampanoag Trail
East Providence, Rhode Island

The Adams Farley Building houses the following programs:

Mobil Treatment Team
Adult General Outpatient
Children General Outpatient
Children's Intensive